Jerry E. Abramson
Mayor

26 Member
Metro Council

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Office of Internal Audit

Health Department

Billing and Collection Division

Audit Report

Health Department

Billing and Collection Division

December 2003

Office of Internal Audit

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Billing and Collection Division

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OFFICE OF INTERNAL AUDIT

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CHIEF AUDIT EXECUTIVE

Transmittal Letter

December 30, 2003

The Honorable Jerry E. Abramson
Mayor of Louisville Metro
Louisville Metro Hall

Re: Audit of Health Department Billing and Collection Activity

Scope and Opinion

We have examined the operating records and procedures of the Health Department's Billing and Collection activity. This did not include billing and collection activities conducted by the Environmental Health Division or at the MORE clinic. The primary focus of the audit was the operational and fiscal administration, including how activity is processed, recorded, and monitored.

As a part of our examination, we performed an evaluation of the internal control structure. Our examination was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States and with the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

The objective of internal control is to provide reasonable, but not absolute, assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations
- Safeguarding of assets

There are inherent limitations in any system of internal control. Errors may result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personnel factors. Some controls may be circumvented by collusion. Similarly, management may circumvent control procedures by administrative oversight.

The operating procedures for the billing and collection activities were reviewed through interviews with key personnel. The operational and fiscal administration of activity was reviewed, including how activity is processed, recorded, and monitored.

LOUISVILLE CITY HALL 609 WEST JEFFERSON STREET LOUISVILLE, KENTUCKY 40202 502.574.3291

The scope and methodology of the areas reviewed will be addressed in the Observations and Recommendations section of this report. Our examination would not reveal all weaknesses because it was based on selective review of data.

The internal control rating for each area reviewed is on page 4. These ratings quantify our opinion regarding the internal controls used in managing the activity and identify areas requiring corrective action.

It is our opinion that the internal control structure of the Health Department billing and collection activity is inadequate. There were some major problems noted that indicate the internal control structure is not effective. Examples of these include the following.

- The computer system (PSRS) is not functioning as an effective billing and collection system. This may be the result of the incapability of the system to meet the Health Department's needs, or the system not being used to its full functionality. Regardless of the reason, the system does not provide sufficient accountability for billing and collection activity.

- There is a great deal of duplicative and manual processes performed. This includes preparation of spreadsheets that contain the same information as the computer system, and appear to add little value.

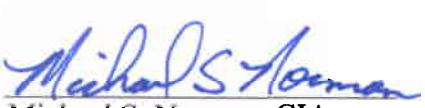
- There is some billing activity that is not processed at all. Due to lack of information, the amount of unbilled activity, as well as likelihood of collection, cannot be determined.

- Monitoring and reconciliation of activity is inadequate. This appears to be the result of problems with both the computer system and the billing and collection processes.

- There is not always adequate segregation of duties among personnel, especially in regards to receipt of payment, posting to accounts, and depositing of payments. This is for the various sites as well as the Billing and Collection Division.

- Functional operating policies and procedures are not provided for staff. This may lead to inconsistencies in processing of activities.

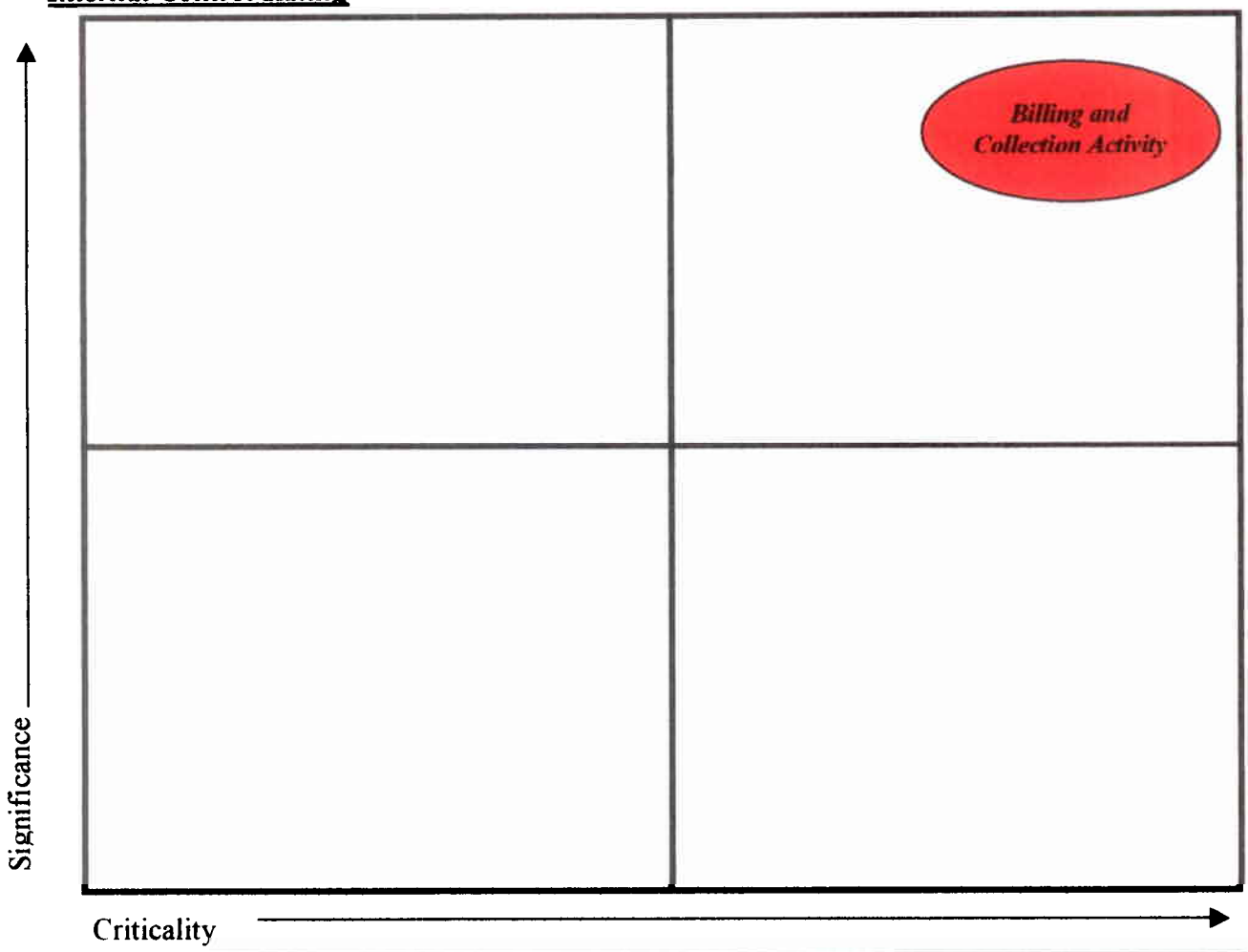
The implementation of the recommendations in this report will help improve the internal control structure and effectiveness of the Health Department billing and collection activity.



Michael S. Norman, CIA
Chief Audit Executive

cc: Louisville Metro Council Audit Committee
Louisville Metro Council Members
Deputy Mayors
Secretary of the Cabinet for Health and Family Services
Director of Health

Internal Control Rating



Legend

Criteria	**Satisfactory**	**Weak**	**Inadequate**
Issues	Not likely to impact operations.	Impact on operations likely contained.	Impact on operations likely widespread or compounding.
Controls	Effective.	Opportunity exists to improve effectiveness.	Do not exist or are not reliable.
Policy Compliance	Non-compliance issues are minor.	Non-compliance issues may be systemic.	Non-compliance issues are pervasive, significant, or have severe consequences.
Image	No, or low, level of risk.	Potential for damage.	Severe risk of damage.
Corrective Action	May be necessary.	Prompt.	Immediate.

Introduction

The Louisville-Jefferson County Metro Health Department is a government agency operating under the direction of the Louisville Metro Mayor and the Louisville Metro Council. The mission of the Metro Health Department is to protect, preserve, and promote the health, environment, and well being of the people of Metro Louisville. An eight-member Board of Health appointed by the Mayor provides advice and citizen input. The fiscal 2003 operating budget for the Metro Health Department is approximately $21 million; 33% of which comes from Metro Government, 32% from the Federal Government, 15% from State Government, and 20% from agency fees.

Metro Health Department services are provided from the Department's administrative headquarters, as well as, from 19 satellite and neighborhood place sites throughout the community. The three major divisions of the Metro Health Department are Community Health Services, Environmental Health Services, and Support Services.

The Support Services Division administers the central billing and collection activity. The Health Department uses the State's Patient Services Reporting System (PSRS) for billing, collection and activity reporting. While most services are billed to clients or medical coverage providers, the PSRS is also used to report information for which the State provides flat fees based on service levels. According to Health Department records, the Billing and Collection Division received approximately $2 million in revenue during fiscal year 2003.

This was a scheduled audit.

Summary of Audit Results

I. *Current Audit Results*

See Observations and Recommendations section of this report.

II. *Prior Audit Issues*

The Office of Internal Audit has not performed any previous audits of the Health Department's billing and collection activity.

III. *Statement of Auditing Standards*

Our audit was performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States and with the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

IV. *Statement of Internal Control*

We conducted a formal study of the internal control structure in order to obtain a sufficient understanding to support our final opinion.

V. *Statement of Irregularities, Illegal Acts,* ***and Other Noncompliance***

Our examination did not disclose any instances of irregularities, any indications of illegal acts, and nothing came to our attention during the examination that would indicate evidence of such. Any significant instances of noncompliance with laws and regulations are reported in the Observations and Recommendations section of this report.

VI. *Views of Responsible Officials*

An exit conference was held at the Health Department administrative office on December 3, 2003, with a second meeting on December 4, 2003. Attending were Dr. Kraig Humbaugh, Ken Kring and Evette Hudson representing the Health Department; Mike Norman, Rebekah Kimzey and Mark Doran representing Internal Audit. Final audit results were discussed.

The views of the Health Department officials are included as responses in the Observations and Recommendations section of the report.

Scope

Key Health Department personnel were interviewed in order to review the operational and fiscal administration of billing and collection activity. This included the Billing and Collection Division's processing of activity, records management, and monitoring, as well as site procedures. A sample of twenty-three transactions was selected from fiscal year 2003. Billing and collection files, along with supporting documents were reviewed to determine the accuracy, completeness, and timeliness of processing. The Environmental Health Division and the MORE clinic were excluded. The following concerns were noted.

Observations

There were several major weaknesses noted with the Health Department billing and collection activity. As a result, the internal control structure is inadequate. The observations are separated into the following areas:

1. Information Management Computer System
2. Monitoring and Reconciliation
3. Segregation of Duties
4. Efficiency and Effectiveness
5. Policies and Procedures

#1 - Information Management Computer System

Patient information, services rendered, and billing and collection activity are recorded in the Patient Services Reporting System (PSRS). This system is administered by the State of Kentucky. Several major problems were noted with the PSRS and associated processes.

- There were several types of collections for services rendered that are not being pursued.
  - Third party insurance companies are not being billed. Billing and Collection Division staff is not able to prepare these billings as part of their regular duties. A computer program was purchased that would print billing forms so that they do not have to be prepared manually. However, this program is not being used. It could not be determined how much activity has not been billed, or the likelihood of collection if it were billed.
  - Manually prepared billings are not processed for some denied claims (e.g., manual billings for Passport). Billing and Collection Division staff is not able to prepare these billings as part of their regular duties. These unpaid bills remain on the PSRS indefinitely. It could not be determined how much activity has not been billed, or the likelihood of collection if it were billed.
  - A couple of types of activity (e.g., new applicants for Medicaid / HANDS coverage) were being monitored / updated by a temporary staff member. When a patient was approved for Medicaid, the temporary employee would process the billings. The temporary employee is now under contract with the Health Department, but has not been assigned this duty. It does not appear this duty is being performed.
  - Some services are not being billed to Medicare (e.g., tuberculosis and specialty services provided by University of Louisville doctors). This is related to an administrative controversy as to whether Medicare should pay for work done by a physician in a teaching position when the attending physician did not oversee the work.
  - There is not adequate follow-up for unpaid claims associated with family planning services (AmeriHealth) at the various Health Department sites. Individual clients should be billed when there is no Medicaid coverage, but this is not done.
- There were several types of activity for which the PSRS was not updated to reflect collection efforts and revenue receipts. Some cases were not recorded timely, or not at all. As a result, the PSRS information is distorted and its effectiveness is greatly diminished.
  - Payments received from one provider (Passport) are posted as time allows. Even though these services can only be billed once, the lack of complete payment detail distorts the information in the PSRS and weakens it usefulness and reliability.
  - Payments for the family planning services activity (AmeriHealth) are not posted to the PSRS. The Health Department files the claims for the non-Metro Government entities that provide the services (Family Planning Partners) that receive payments directly. Since the Health Department is not aware of which payments are received, the PSRS balances due remain outstanding. This distorts PSRS information and weakens its usefulness and credibility.

- ➢ There have been instances in which payments received were not recorded in the PSRS. This can occur when the site enters a service and a payment received, but then makes changes to the Patient Encounter Form (PEF) information recorded in the PSRS. The system requires that the revenue be reposted for it to be included in the daily activity report. This increases the risk that payments received at the site could be intentionally diverted without detection.

- Some financial activity recorded in the PSRS (e.g., receivable amount for patients, cost of services rendered) is not reflected on the Metro Government's financial system. The PSRS captures programmatic center information for reporting to the State only. Therefore, programmatic activity on the Metro Government's financial system will not agree with the PSRS activity. This includes items such as accounts receivable, write-off of uncollectibles, etc. This weakens the usefulness and reliability of the Metro Government's financial system since it does not contain complete information.

- The Billing and Collection Division staff manually review approximately 4,000 to 5,000 billings a month to identify certain types of situations in which a statement should not be sent (e.g., recognized addresses for homeless shelters, unbillable "John Doe" patients, etc.).

  These types of situations result in statements being withheld from the mail so as not to incur additional postage and administrative expenses. This practice impacts efficiency and could delay collections of amounts due. Health Department management views this manual process as an interim solution to address some recurring problems.

- There is not a defined, routine schedule for sending collection letters for payments returned due to insufficient funds. The Health Department may mail up to three letters to patients for collection of fees due. However, these letters are only prepared as staff time allows.

- The PSRS does not show credit balances on patient accounts. Overpaid accounts record a $0 balance. This distorts the PSRS information and weakens its usefulness and reliability. It also requires the service site or the customer to request a refund from the Billing and Collection Division since there is no automatic notification / flagging process in place.

Recommendations

Appropriate Health Department personnel should take corrective action to address the issues noted. Specific recommendations include the following.

- ✓ Health Department management should develop an action plan to address the billing and collection computer system. The goal is having a system that can provide accountability for all billing and collection activity.
  - An assessment of the PSRS should be performed to determine if it has the capability to meet the needs of the Health Department. This may require obtaining assistance from external consultants familiar with the PSRS.
  - The billing and collection processes may need to be reengineered to conform to the PSRS, or to whatever system is used.

- It may be necessary to use a billing and collection system other than the PSRS.
- Other entities that process similar activity with comparable reporting requirements could be consulted (e.g., University of Louisville Hospital, Metro Government Emergency Medical Services). There may be the possibility of some synergies by partnering / outsourcing some of the billing and collection activities.
- The action plan must consider available resources (e.g., funding, staff, etc.).

✓ In the interim, the PSRS should be used to the fullest capability possible. This includes posting all activity (including payments) and using system-reporting functions (e.g., accounts receivable aging reports, activity levels). Additional training of staff may be necessary in order to become familiar with available information and to properly generate reports.

✓ All billable activity should be pursued as appropriate. This includes amounts due from patients, Medicare, Medicaid, third-party insurance providers, or other entities (County Health Departments, etc.). This may require reassigning duties, priorities, or adding additional staff. Ultimately, the payback of these efforts should determine the amount of resources dedicated to them.

✓ The feasibility / necessity of recording activity on the Metro Government financial system should be explored. This may be as simple as recording year-end receivable and uncollectible balances. Consideration should be given to the lack of reliable information recorded in the PSRS. Representatives from the Department of Finance should be contacted for assistance.

✓ Compensating controls should be implemented to ensure payments are reposted whenever changes are made to a Patient Encounter Form (PEF). There may be a system-generated exception report available that would document this activity. Proper review of this report could help ensure all payments were properly posted.

✓ The feasibility of modifying the PSRS to address situations currently processed manually should be pursued. The focus should be on using the PSRS more efficiently. This will allow for sending invoices timelier, and for resources to be dedicated to activities other than reviewing 4,000 - 5,000 invoices per month.

✓ A written internal policies and procedures manual should be developed. This manual should include sufficient detail for each job duty performed, copies of forms used, and the policies followed in the processing of activity. This should also address overdue accounts. *The Billing and Collection Division should be commended for its efforts to develop proper cash handling policies and procedures. These efforts should continue.*

✓ Periodic training of key personnel will help ensure consistent adherence to policies and procedures.

✓ A cost-benefit analysis should be performed to determine the feasibility of using an external collection agent. This should consider contractual costs and the cost of pursuing the accounts using Health Department staff. Ultimately, the likelihood of collection should also be considered.

Health Department Response

The Health Department uses patient billing software, called Patient Services Reporting System (PSRS), administered by the Commonwealth of Kentucky. All health departments in the Commonwealth use the same system. The State has estimated that the cost to replace the system would be more than $1,000,000, per county. We estimate that the system in Jefferson County would exceed $1,000,000 to replace, simply due to the number of locations it would have to be installed in. The Health Department tried to replace the system in the 90's, but was unsuccessful. Almost $750,000 worth of hardware, software, and other effort was scrapped.

We do not believe it is feasible, at present, to replace the system. We will attempt to better utilize the PSRS, given the resources available. The following will be performed in order to better utilize the existing system:

1. The Health Department will seek reimbursement from all sources, including third party insurance companies.

2. Payments received from third party payors will be posted in a timely manner.

3. The billing and collection process will be reengineered, based on limited staffing.

4. Outside billing and collection companies will be contacted for price quotes. Based on prior quotes, we believe the cost to be cost prohibitive.

5. The Metro Finance Department will be contacted to discuss recording year-end receivable balances in the Metro financial accounting system.

6. The Health Department will provide more supervisory review over changes made to Patient Encounter Forms (PEF's) within the PSRS system.

7. A more detailed policy manual will be developed.

#2 - Monitoring and Reconciliation

Monitoring and reconciliation of billing and collection activity is inadequate. There were several problems noted that compromise the completeness and integrity of the billing and collection information.

- The PSRS is not used to obtain comprehensive monitoring and analytical information and reports for monitoring purposes.
  - Billing and Collection Division staff stated that the PSRS is able to provide the types of information currently recorded in supplemental spreadsheets. Numerous supplemental spreadsheets are prepared for billing and collection activity. Some of these spreadsheets contain the same information as in the PSRS, and appear to add little or no value to the process. It is not clear why the system is not used to obtain this information.
  - There was a couple of monitoring spreadsheet reports that contained computation errors (e.g., year-end report, Monthly Statement Distribution worksheet). This decreases the reliability and usefulness of this information.

- Adequate monitoring and reconciliation of revenue receipts is not performed. While there may be some verification of receipts and bank accounts, there is no overall reconciliation of receipts, PSRS, and the Metro Government financial system.
  - Health Department staff are not able to monitor all revenue receipts. In some cases, revenue receipts are deposited and then transferred between bank accounts. Similarly, activity may be posted and then transferred between several different Metro Government financial system centers and accounts. This makes it difficult to completely reconcile activity. From the sample of activity reviewed, there were five cases in which the final financial posting could not be determined.
  - The PSRS report used to allocate the patient pay revenue to the financial system accounts does not agree to the revenue receipts. Health Department staff could not explain this inconsistency. An allocation methodology is used since the revenue collected from the patient at the time of the service is not credited to the appropriate financial system center when collected / deposited.
  - There is not enough information provided with some payments to ensure the appropriate amount is received. The State provides some funding based on the level of services provided (e.g., capitation for Dixie patients, CFC Drug Screenings). The Health Department is paid a flat fee for each client. There is not enough detail to reconcile individual accounts or to ensure completeness of the amounts received. Therefore, it is not possible for Health Department staff to monitor the payments. Also, since balances may remain on the PSRS indefinitely, the reliability of the information is weakened.
  - It is not clear whether some payments are processed appropriately (Doral Dental). When a payment exceeds the billed amount for one patient, the excess is applied to an underpaid patient's claim. Billing and Collection Division management was not aware of this practice. These cases may not signify actual overpayments, rather could indicate incorrect charge amounts being processed.
  - The Health Department submits billing forms for one program (EPSDT Outreach), but there is no monitoring to ensure that all payments are received and accurate.

- The MORE clinic is one of the largest generators of revenue. Yet, Billing and Collection Division staff, as well as Business Office staff, has limited oversight of its activity. While the central billing activity for most other Health Department functions are processed using the PSRS, the MORE clinic processes its charges independently. MORE clinic staff has sole responsibility for processing and accounting for revenue at their site.

Recommendations

Appropriate Health Department personnel should take corrective action to address the concerns noted. Specific recommendations include the following.

✓ As noted in recommendation #1, the functionality of the PSRS needs to be determined. The system may be able to provide the necessary information to allow proper monitoring and reconciliation. This would eliminate the need for supplemental spreadsheet preparation, and allow Billing and Collection Division staff to focus on activities that generate revenue (e.g., manual billings).

✓ If the PSRS cannot provide the reports needed, interim actions may be necessary. Part of implementing an interim solution should be reviewing the need for all of the supplemental spreadsheets, particularly their use and value added to the process. It may be possible to eliminate several of these without hindering the processing of activity.

✓ It is imperative that Billing and Collection staff reconcile activity by ensuring the amount of services rendered is properly billed, revenue collected is posted to the proper patient account, deposited in the bank, and ultimately to the Metro Government financial system. This reconciliation could be done on a total basis, with periodic spot checks of detail to ensure accuracy (e.g., proper patient account). Supervisory personnel should periodically review the reconciliations to ensure all activity is properly accounted for.

✓ Billing and collection activity should be monitored for appropriateness. This includes analytical reviews, such as total activity for a period compared to other periods, as well as expectations given other factors (e.g., severity of flu and pneumonia season).

✓ Health Department management should review the revenue deposit and recording procedures. This should involve the recording of activity in the bank account, the billing and collection system, and the financial statements. Less complex options may be available that would improve efficiency and monitoring of activity. Metro Finance's Treasury Division should be contacted for assistance with this matter.

✓ Applicable representatives should be consulted to determine the appropriate handling of payments for Doral Dental. This determination should be documented and provided to key Health Department personnel.

✓ The feasibility of administering the MORE clinic similar to other sites should be investigated. While patient confidentiality is a consideration, accountability for the activity is a major concern. Monitoring and oversight is necessary to ensure proper controls are in place and to verify the integrity of the activity reported.

Health Department Response

The Health Department will attempt to increase the effectiveness of monitoring and reconciliation of the PSRS system. The following are some examples of plans to address this:

1. A detailed schedule of all reports available within the PSRS system will be prepared. Management staff will review the listing and determine the most appropriate reports available for monitoring and review.

2. The Metro Finance Department will be contacted for assistance in reconciling the bank account with the PSRS system.

#3 - Segregation of Duties

Problems were noted regarding segregation of duties and physical access to receipts.

- There were some segregation concerns associated with the Billing and Collection Division staff.
  - Depending on the type of service, a single individual could receive payment, post the activity, and prepare the funds for deposit (e.g., payments received in mail, Passport). This lack of segregation increases the risk that a payment could be posted to the patient account and diverted for personal use without being detected.
  - Staff has the ability to print the PSRS verification report several times in one day. This report lists the payments posted. Each print will only display the activity since the prior run; so previous postings or modifications for the day would not be included. This weakens the reliability of the report and its usefulness as a control / reconciliation tool. It also increases the risk that activity could be posted to the patient account, and funds diverted for personal use without detection.

  It should be noted that the Billing and Collection Division have focused efforts on developing cash-handling procedures that recognize the importance of proper segregation of duties.

- Some concerns were noted regarding physical access to receipts and segregation of duties at the various Health Department sites.
  - Several staff members (e.g., clerks, supervisors, managers) at each site may possess the safe combination. While it is necessary for a few responsible individuals to have access to the safe, risks increase, and accountability is weakened, as more staff have access.
  - The clerks at the sites can delete a Patient Encounter Form (PEF) document once the service has been entered in the system for the day, as well as an entire patient's record. This increases the risk that payments could be collected from patients, the activity deleted from the system, and the payment diverted for personal use without detection. It was noted that the State is not able to restrict access specifically for this activity. Health Department staff explained that a report does exist for deleted/changed PEF information, but it is not routinely used to monitor this type of activity.
  - The clerks at the sites are not required to obtain manager approval in order to void a PEF.

- Custodial transfer of funds during deposits is not adequately documented. Billing and Collection Division staff record payment and prepare the deposits, which are held in the Business Office safe. There is no signature required to document the transfer of deposits from Billing and Collection Division staff to the Business Office. The lack of a documented trail weakens accountability and exposes all staff if a discrepancy were to occur.

Recommendations

Appropriate Health Department personnel should take corrective action to address the concerns noted. Specific recommendations include the following.

- ✓ Billing and Collection Division staff should continue efforts to incorporate proper segregation of duties into their billing and collection activity. To the extent possible, the same individuals should not have the ability to process billings, receive payments, post payments to patient accounts, and prepare the deposits. In cases where complete segregation is not feasible (e.g., staff size constraints), appropriate compensating controls should be practiced (e.g., supervisory review, monitoring).

- ✓ The functionality of the PSRS should be investigated to determine the best way to address the verification reports and changes to PEFs. Ideally, these functions could be restricted, or an exception report automatically generated whenever they occur. If not, the feasibility of disabling these functions for most individuals should be explored. Some type of compensating control needs to be implemented to help mitigate the risk of this functionality.

- ✓ Supervisory approval should be required for retroactive changes to patient information at the various sites (e.g., billing information, services provided, etc.). This would help ensure that the adjustments are appropriate and that applicable procedures are being adhered to.

- ✓ Physical access to the safes at the various sites should be limited to a few key individuals. Procedures should be in place to change combinations whenever turnover occurs among the key individuals.

- ✓ Documenting transfer of funds helps ensure accountability for safeguarding of the funds. This can be as simple as a form with the date and amount transferred signed by the applicable parties (e.g., Billing and Collection staff, Business Office staff).

Health Department Response

The Health Department will perform the following to help with segregation of duties problems:

1. Duties will be segregated as much as possible between the billing clerks, data entry clerk, and supervisor.

2. A survey of all locations with a safe has been completed. Based on survey results, combinations to safes are limited to the appropriate staff. Combinations and who has access will be monitored periodically in the future.

3. A receipt documenting chain of custody will be issued from the Business Office to the billing office, effective December 20, 2003.

#4 - Efficiency and Effectiveness

There were several opportunities noted for improving efficiency and effectiveness of the billing and collection activity.

- As previously noted, Billing and Collection Division staff prepare numerous supplemental spreadsheets that contain the same information as in the PSRS. These spreadsheets appear to add little or no value to the process, and require the dedication of staff resources away from other activities (e.g., preparing manual billings).

- Billing and Collection Division staff stated that a significant amount of time is spent addressing inquiries from patients. In many cases, these are regarding corrections to insurance information that was not accurately input at the various sites. The Billing and Collection Division staff dedicates time to investigating these and trying to obtain accurate information (e.g., inquiring on Passport website). The PSRS indicates which site input the information, but the sites are not required to correct the information nor are they held accountable for providing incorrect information.

- The Health Department has agreed to process claims for non-Metro Government entities (e.g., Family Planning Partners) providing family planning services. In return, the Health Department receives an administrative fee (approximately $2,000-$3,000 monthly). While this activity does produce revenue, it could place an added strain on limited resources and interfere with the Health Department's primary billing activity.

- An allocation methodology is used to distribute the patient pay revenue to the Metro Government financial system centers. This is done because the revenue collected from the patient at the time of the service is not credited to the appropriate financial system center when collected / deposited. This methodology involves the preparation of additional spreadsheets, and the processing of journal vouchers. Except for a few centers (e.g., MORE clinic, Lab), the amount may not be worth the cost of allocating it.

- The PSRS automatically writes-off some patient balances after four months of no activity. This primarily involves payments due from patients. No analysis is done on these write-offs to determine if other factors are impacting the collection of revenue. Doing so may identify opportunities where additional staff training could help decrease write-offs by eliminating common data entry mistakes. For fiscal year 2003, approximately $560,000 was written off.

- Depending on the type of service, Billing and Collection Division staff may delay depositing a payment until it is posted to the PSRS (e.g., Passport).

- The Billing and Collection Division processes lab requests for supplies and enters the order into the PSRS. In the past, these responsibilities were performed by lab staff, but were transferred to the Billing and Collection Division with an individual staff member. These duties may limit the resources available for billing and collection activities.

Recommendations

Appropriate Health Department personnel should take corrective action to address the concerns noted. Specific recommendations include the following.

- ✓ The value and usefulness of the supplemental spreadsheets should be determined. It may be possible to eliminate several of these without impacting the billing and collection process.

- ✓ Data regarding incorrect information should be analyzed, with the objective of holding site personnel accountable for processing inaccurate information. Care should be taken at the various sites to ensure that information is entered accurately and completely. The importance of capturing data accurately should be stressed. Additional training of site personnel may be necessary.

- ✓ A cost-benefit analysis should be prepared to determine if the Health Department should continue processing claims for outside entities. Other factors, besides financial impact, should be considered. There may be an opportunity for these providers, as well as the Health Department, to contract with others to provide these types of services.

- ✓ The necessity of allocating patient payments should be reviewed, with the objective of determining if there is a more efficient method to account for this activity. Specific funding requirements might impact the options for accounting for these payments.

- ✓ A written policies and procedures manual should be developed for the billing and collection division activity. This document should address the determination and treatment of uncollectible accounts. The Health Department may already have some established practices (e.g., write-off of patient pay accounts that have not had any activity in four months, etc.), but all approved policies should be documented and disseminated to applicable staff. The policy should include the required authorizations and documentation required to write-off balances.

- ✓ An analysis should be performed of write-offs to determine if problem areas exist that are impairing collection efforts. A thorough analysis may identify areas in which additional training would be beneficial.

- ✓ Payments should be deposited without delay. Checks should not be held pending updating of patient accounts.

- ✓ Consideration should be given to reassigning supply ordering responsibilities to other Health Department staff.

Health Department Response

The Health Department will make the following changes to help improve the efficiency and effectiveness of the billing and collection system:

1. A listing of all currently used spreadsheets and their functions will be prepared. The Health Department will compare this listing to the available PSRS reports to search for duplication of efforts.

2. As has been the past practice, data will be continually monitored in the future to check for accuracy. All material errors will be forwarded to the Division of Community Health for correction. Additional training will be scheduled as deemed necessary.

3. Cost-benefit analysis has been done which indicated it is less costly to do certain billing activity in house (e.g., Medicaid, Passport, and Medicare). Additional cost benefit analysis will be done to determine if other third party commercial insurance and patient pay billing activity would be less costly if performed by an outside vendor. Historically, the rates for such services have been 30% to 50% of collections.

4. A more detailed policy and procedure manual will be developed.

5. Payments will be posted, with as little delay as possible. Copies of checks will be made for any cases in which the payments cannot be posted immediately. This will allow the funds to be deposited timely.

#5 - Policies and Procedures

The Health Department does not have *documented policies and procedures* for the billing and collection activity. There is not a comprehensive manual that presents the entire processing life cycle of activity (e.g., client account / service information, billing duties, collection processing, bank deposits, financial system postings, reconciliation, monitoring responsibilities, etc.). It should be noted that a State Patient Services Reporting System (PSRS) manual does exist and the Billing and Collection Division has been drafting check-handling procedures for their staff.

From the review of the sample of case files, there were several instances noted in which billing and collection *information was incomplete or missing.*

- Some cases were noted in which the Current Procedural Terminology (CPT) code noted on the Patient Encounter Form was not entered in the PSRS. The CPT codes are used to designate the type of service provided and the associated charges used for billing.
- There was one case noted in which services were performed, but there was no Medicare number assigned to the provider. Therefore, no billing for these services could be processed.
- A couple of cases were noted in which the Patient Encounter Form (PEF) information was not adequate.
  - In one instance, the Lab Requisition did not include the PEF label, which notes the document number and summarizes the patient's information.
  - In another case, the PEF label was not updated to account for adjustments made to the patient's information.

There were several cases in which billing and collection *information was inaccurate or could not be verified.*

- There were seventeen cases in which sufficient information was not available to verify the billing information with certainty. While the Health Department staff could verbally describe the fees, they were not able to provide a documented fee schedule, or the fee schedule provided was not current.
- In one case, an incorrect payer code was recorded in the PSRS. This code determines who is responsible for the charges (e.g., patient, health insurance, etc.).
- In one instance, the PSRS billing amount was incorrect. It had not been updated to reflect the applicable fees (AmeriHealth lab paid through Passport).

There were some problems noted regarding *processing timeliness.*

- Several revenue receipts were not deposited within a timely manner. Deposits were made up to forty-nine days after the recorded receipt of the payment.
- There were two instances in which the services were not entered into the PSRS timely (flu shots provided on November 13, 2002 were posted to the PSRS on February 10, 2003).

Recommendations

Appropriate Health Department personnel should take corrective action to address the concerns noted. Specific recommendations include the following.

- ✓ A formal policies and procedures manual should be prepared. This helps ensure consistency in processing of activity, and can be used as a training manual. It may not be beneficial to prepare the manual until the issues regarding the PSRS system are addressed, but efforts should be made to document as much as feasible. The Billing and Collection Division should continue their efforts in drafting procedures for staff.

- ✓ The Billing and Collection Division should have a complete fee schedule for all services provided. This schedule should be updated as needed, and thoroughly reviewed on a periodic basis (e.g., annually). This will allow verification that services are billed at the proper rates.

- ✓ While clerical mistakes are going to occur, the importance of complete and accurate information should be stressed to all staff, especially at the various sites. It is important that personnel be accountable for recording accurate and complete information. Additional training of key personnel may be necessary.

- ✓ Proper review should be performed in order to ensure that computer records are complete and accurate. This includes comparing support documentation to the PSRS on a routine basis. Periodic spot checks by supervisory personnel would also help ensure processing accuracy.

- ✓ Efforts should be made to process activity timely. This includes entering services provided into the PSRS as close to the actual service date as possible. This will ensure that billings are timely.

- ✓ Deposits should be timely. Timeliness should adhere to applicable Metro Government policies and procedures (e.g., former City policy stated deposits must be made at least weekly or when they exceed $1,000, whichever occurs first).

- ✓ The policies and procedures should incorporate applicable Health Insurance Portability and Accountability Act (HIPAA) compliance requirements.

Health Department Response

As previously noted, the Health Department will begin to develop a more detailed manual to help strengthen policies and procedures. In addition, the following are also intended to improve the billing and collection activity:

1. The Board of Health and the Cabinet Secretary approve a complete fee schedule of all charges annually. The schedule of charges has been made available to the billing and collection staff.

2. Annual training of clerical staff will continue. In addition, quality assurance of Patient Encounter Forms (PEF's) will continue. When training issues arise, additional training will be provided to the appropriate staff members.

3. PEF's are now being monitored on a random basis to ensure all charges are posted to the system. Additional spot checks will be completed as necessary.

4. Most services are entered into the PSRS on date of service. Some service activities, such as special flu shot clinics, are not posted the date of service. Overtime has been monitored over the past two years and not been spent on recording certain seasonal activities, such as flu shots. Health Department staff will continue to monitor this activity.

5. Deposits will be made in a timely manner. Armored car deposits are made twice weekly.

6. HIPAA regulations and concerns are considered. The Health Department has a HIPAA compliance officer who works with billing and collection staff concerning HIPAA regulations.

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